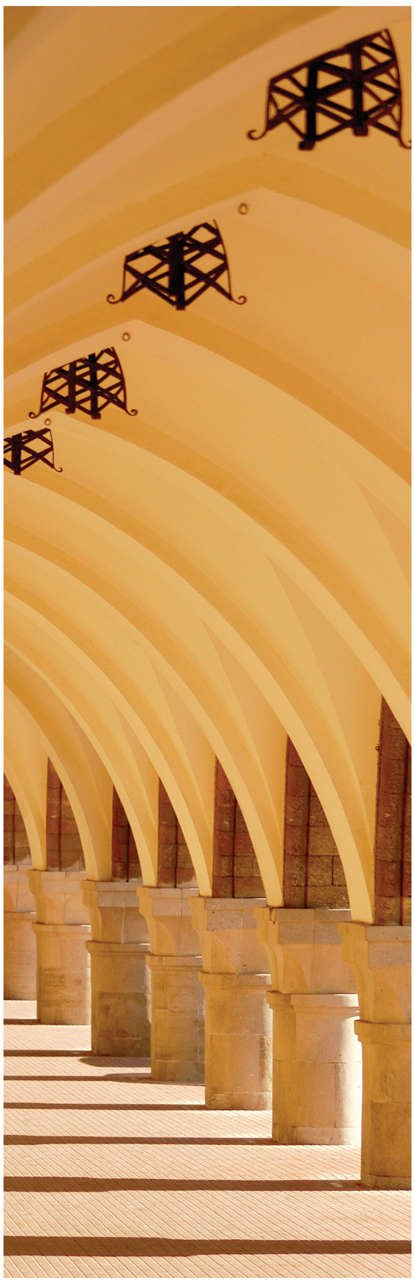
A Multi-Sector Approach to Core Plus Fixed Income

Strengthen your core bond portfolio with a multi-sector strategy:
Virtus Newfleet Core Plus Bond Fund (SAVYX)

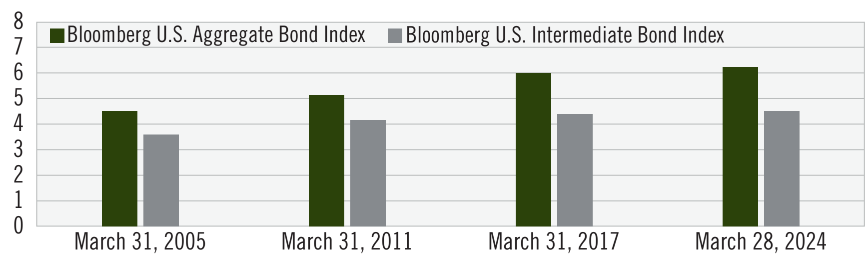


At a time when inflation and elevated rates still pose ongoing risks, traditional core bond strategies expose investors to duration risk while failing to provide yield that competes with other higher-yielding risk sectors. The ability to incorporate sectors that are not typically a part of a traditional core bond strategy has the potential to increase yield, lower interest rate risk, and retain the risk-reducing benefits of fixed income.

The Agg: Still Not Enough on Its Own

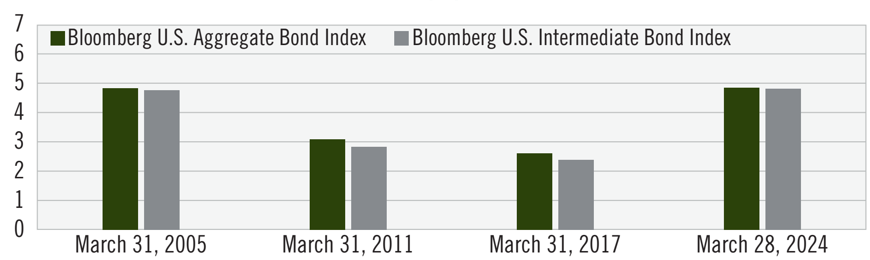
Investors have traditionally favored the Bloomberg U.S. Aggregate Bond Index (the "Agg") as the standard benchmark for U.S. fixed income investments. While yields have risen since the days of zero-interest rates, the Agg still leaves investors with increased rate risk compared with the Bloomberg U.S. Intermediate Bond Index (as shown below), without adding yield commensurate to the added risk.

DURATION: AGG. VERSUS INTERMEDIATE (YEARS)



Source: Bloomberg Finance LP. As of March 28, 2024.

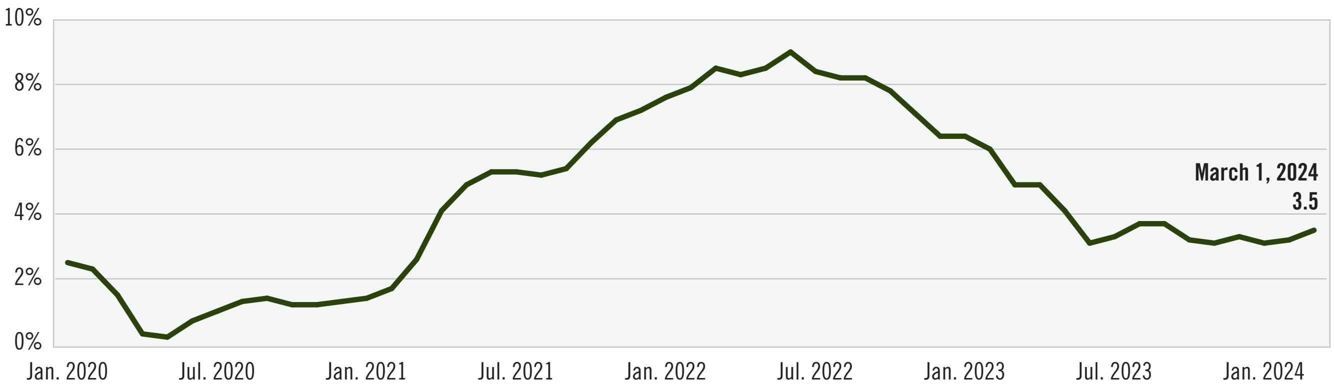
YIELD: AGG. VERSUS INTERMEDIATE (%)



Source: Bloomberg Finance LP. As of March 28, 2024.

Furthermore, over the last few years, inflation has been difficult to predict. Though inflation now shows some gradual signs of cooling, price pressures remain stubbornly high, causing the markets to keep delaying their forecasts for rate cuts this year. Regardless of where CPI is headed, hedging interest rate risk should still be an important consideration for investors, for the time being.

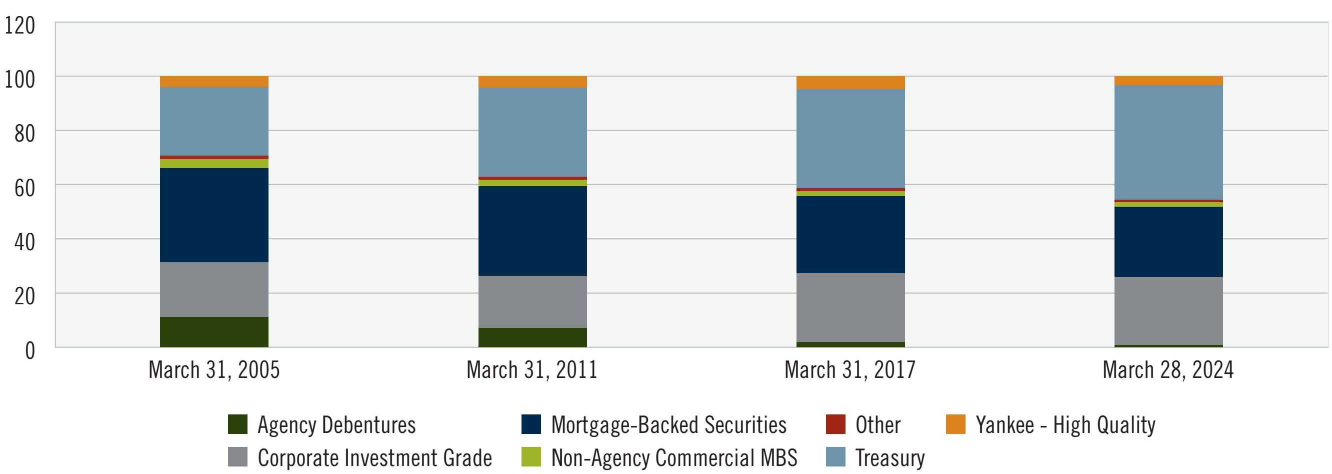
RISING CPI PRICES HAVE CONTINUALLY THWARTED FORECASTS Percent change from year ago



Source: Bureau of Labor Statistics, Federal Reserve Bank of St. Louis. As of April 25, 2024.

Finally, the Agg's composition has become less diversified over time – U.S. Treasuries and government-backed securities now account for roughly 70% of the Agg (as shown below). This shift towards an overconcentration in government-affiliated bonds and securities leaves portfolios at greater risk should inflation and rate risk continue to affect returns.

SECTOR CHANGES TO THE AGG OVER TIME

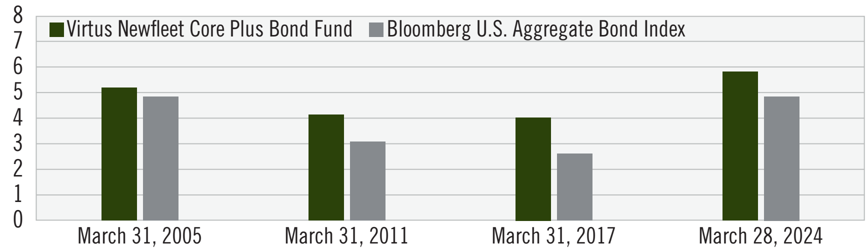


Source: Bloomberg Finance LP. As of March 28, 2024.

Multi-Sector Core Plus: The Best of Both Worlds

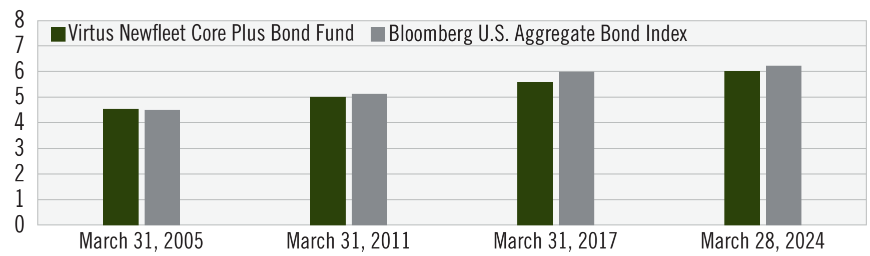
Many investors have turned to alternative investments outside of traditional core bonds to hunt for better yields at lower interest rate risk. But as ongoing unpredictability in the financial markets still makes credit risk a relevant concern, the risk-hedging qualities of core fixed income strategies are still valuable. To balance both considerations, we recommend adding a multi-sector approach to a core plus solution. Multi-sector investing relies on sector allocation and security selection to broaden the universe of investable credits and find areas of better value. A dynamic, multi-sector core plus strategy, such as the Virtus Newfleet Core Plus Bond Fund, may offer higher yields at lower interest rate risk than the Bloomberg Agg over time (see charts to the right).

YIELD: VIRTUS NEWFLEET CORE PLUS BOND FUND VERSUS AGG. (%)



Source: Bloomberg LP, Virtus Performance Analytics. As of March 28, 2024.

DURATION: VIRTUS NEWFLEET CORE PLUS BOND FUND VERSUS AGG. (YEARS)



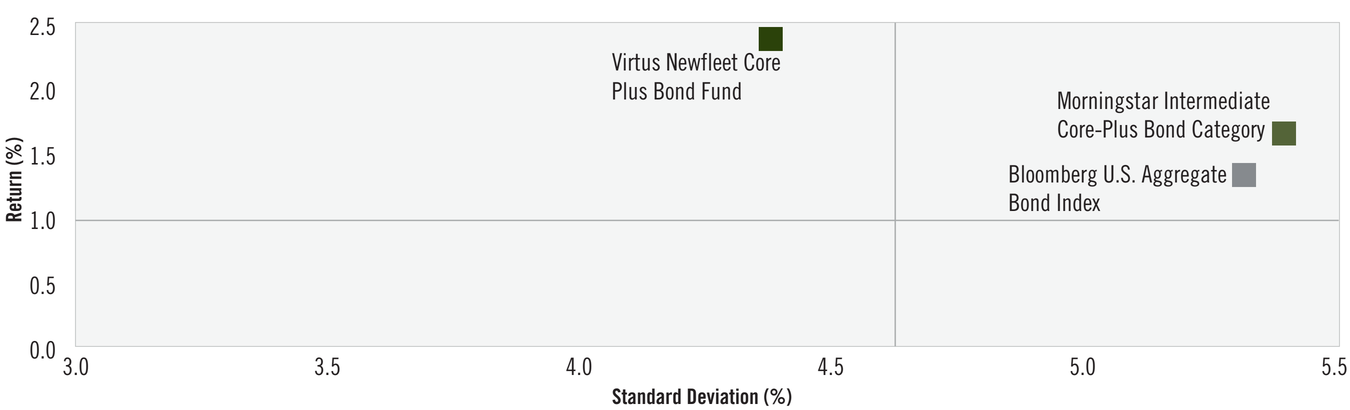
Source: Bloomberg LP, Virtus Performance Analytics. As of March 28, 2024.

Not All Core Plus Strategies Are Created Equal

All this comes with an important caveat: the flexibility and higher active risk inherent to a core plus strategy means there are no uniform standards of practice and a high level of dispersion among managers deploying this strategy. The Virtus Newfleet Core Plus Bond Fund (see below) has produced higher returns at lower risk over time compared to its peers and the Agg.

POTENTIAL HIGHER RETURNS WITH LOWER RISK: VIRTUS NEWFLEET CORE PLUS BOND FUND

Morningstar Risk/Returns (I Shares), Intermediate Core-Plus Bond Category, Since Manager Inception (10/3/12), Based on Total Returns as of 3/28/24



Source: Morningstar Direct.

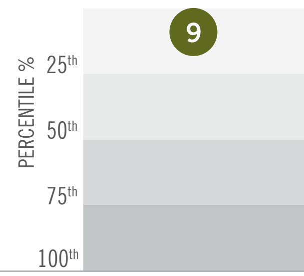
Some core plus strategies establish fixed weights across targeted spread sectors such as high yield bonds or bank loans. Others incorporate all elements of the fixed income universe, taking a dynamic approach that balances credit risk, interest rate risk, and risk across all spread sectors.

We think strategies with fixed allocations constrain opportunities to find value as the market fluctuates. And, at a time when the market faces bouts of volatility, the ability to deploy risk across interest rates and credit spreads can reduce the likelihood of large drawdowns.

To illustrate this point: the Sharpe Ratio is a widely used method of measuring risk-adjusted relative returns. It shows the efficiency with which a manager generates excess returns per unit of volatility. With its dynamic, relative value-focused approach, the Virtus Newfleet Core Plus Bond Fund (I share) ranks in the 9th percentile for the Sharpe Ratio within its Morningstar category since manager inception.

TOP QUARTILE SHARPE RATIO: VIRTUS NEWFLEET CORE PLUS BOND FUND

Morningstar Percentile Ranking (I Shares), Intermediate Core-Plus Bond Category, Since Manager Inception (10/3/12), Based on Total Returns as of 3/28/24.



	Since Manager Inception	1 YEAR	5 YEAR	10 YEAR
SHARPE RATIO RANK	**22**	88	42	37
FUNDS IN CATEGORY	**350**	626	531	369

Source: Morningstar Direct.

Conclusion

Though Treasury yields have risen, many traditional core bond strategies tethered to the Agg no longer provide yield that adequately compensates for the interest rate risk posed by stubbornly high inflation. As a solution, consider a balanced, dynamic approach able to opportunistically scan the entire fixed income universe for increased yield that retains the risk-hedging qualities of traditional core bonds.

And, at a time of market volatility, it is not enough to seek high returns in a vacuum: to balance the need for higher returns against risk management, investors should seek out managers that have demonstrated superior risk-adjusted returns. We think incorporating the freedom and flexibility of multi-sector within a risk-controlled core plus context can potentially bring investors the best of both worlds at a time when both risk management and yield are highly prized.

Average Annual Total Returns Class I (%) as of 3/28/2024

	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Virtus Newfleet Core Plus Bond Fund	0.48	0.48	4.19	-0.96	1.63	2.28	4.85
Bloomberg U.S. Aggregate Bond Index	-0.78	-0.78	1.70	-2.46	0.36	1.54	4.20

*Inception: 3/7/1996.

Performance data quoted represents past performance. Past performance does not guarantee future results. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit virtus.com for performance data current to the most recent month end. This share class has no sales charges and is not available to all investors. Other share classes have sales charges. See virtus.com for details.

The fund class gross expense ratio is 0.84%. The net expense ratio is 0.45%, which reflects a contractual expense reimbursement in effect through 03/01/2025.

Average annual total return is the annual compound return for the indicated period and reflects the change in share price and the reinvestment of all dividends and capital gains. Returns for periods of one year or less are cumulative returns.

About Newfleet Asset Management

Newfleet Asset Management, distinguished by its longstanding multi-sector approach, dynamic structural integration, experience, and culture of collaboration, has a proven track record of successfully navigating the fixed income markets to consistently generate excess returns over full market cycles.

About Virtus Investment Partners

Virtus Investment Partners (NYSE: VRTS) is a distinctive partnership of boutique investment managers singularly committed to the long-term success of individual and institutional investors. The company provides investment management products and services through its affiliated managers and select subadvisers, each with a distinct investment style, autonomous investment process, and individual brand.

VIRTUS FUNDS

To learn more about Newfleet's multi-sector strategies available through Virtus Funds, visit virtus.com or call us at 800-243-4361.

INDEX DEFINITIONS

The **Bloomberg U.S. Aggregate Bond Index** is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS. The **Bloomberg U.S. Intermediate Aggregate Bond Index** measures securities in the intermediate maturity range of the U.S. investment grade fixed rate bond market. The index is calculated on a total return basis. The indexes are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and they are not available for direct investment.

IMPORTANT RISK CONSIDERATIONS

Credit & Interest: Debt instruments are subject to various risks, including credit and interest rate risk. The issuer of a debt security may fail to make interest and/or principal payments. Values of debt instruments may rise or fall in response to changes in interest rates, and this risk may be enhanced with longer-term maturities. **ABS/MBS:** Changes in interest rates can cause both extension and prepayment risks for asset- and mortgage- backed securities. These securities are also subject to risks associated with the non-repayment of underlying collateral, including losses to the portfolio. **High Yield Fixed Income Securities:** There is a greater risk of issuer default, less liquidity, and increased price volatility related to high yield securities than investment grade securities. **Bank Loans:** Bank loans may be unsecured or not fully collateralized, may be subject to restrictions on resale, may be less liquid and may trade infrequently on the secondary market. Bank loans settle on a delayed basis; thus, sale proceeds may not be available to meet redemptions for a substantial period of time after the sale of the loan. **Foreign & Emerging Markets:** Investing in foreign securities, especially in emerging markets, subjects the portfolio to additional risks such as increased volatility, currency fluctuations, less liquidity, and political, regulatory, economic, and market risk. **Market Volatility:** The value of the securities in the portfolio may go up or down in response to the prospects of individual companies and/or general economic conditions. Price changes may be short- or long-term. Local, regional, or global events such as war or military conflict (e.g., Russia's invasion of Ukraine), acts of terrorism, the spread of infectious illness (e.g., COVID-19 pandemic) or other public health issues, recessions, or other events could have a significant impact on the portfolio and its investments, including hampering the ability of the portfolio's manager(s) to invest the portfolio's assets as intended. **Prospectus:** For additional information on risks, please see the fund's prospectus.

The **Morningstar Percentile Ranking** compares a Fund's Morningstar risk and return scores with all the Funds in the same Category, where 1% = Best and 100% = Worst. Rankings shown are for the I share. Rankings for other share classes may vary. Past performance is no guarantee of future results.

Sharpe Ratio – A statistic that measures the efficiency, or excess return per unit of risk, of a manager's returns. It is calculated by taking the portfolio's annualized return, minus the annualized risk-free rate (typically the 30-Day T-Bill return), divided by the portfolio's annualized standard deviation. The greater the Sharpe Ratio, the better the portfolio's risk adjusted return.

Newfleet Asset Management is a division of Virtus Fixed Income Advisers, LLC ("VFIA"), an SEC registered investment adviser.

Please consider a Fund's investment objectives, risks, charges, and expenses carefully before investing. For this and other information about any Virtus Fund, contact your financial professional, call 800-243-4361, or visit virtus.com for a prospectus or summary prospectus. Read it carefully before investing.

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